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Federal Communications Commission
Bureau / Office

Dear Commission:

Thank you for the opportunity to comment on FC 14-191, your proposals for the upcoming incentive spectrum auction. Marquee Broadcasting, Inc., is a small business entity and a rather new entrant into the world of broadcasting, and, as such, offers what we hope is a different prospective. As an owner of a station that is in a congested area and in the 600 MHz band (Channel 47 in Salisbury Maryland), we are the type of station you are encouraging to enter the auction. Based on that premise, we hope our comments and suggestions are meaningful to you.

We would suggest keeping the process as simple as possible. A project such as this must be complex by necessity, but there are ways to avoid unnecessary layers of complexity. Commissioner Rosenworcel's comments to the proposal seem to echo this concern. A reverse auction adds more complexity than a forward auction. The success of the AWS-3 forward auction should serve as a good example of a way to conduct the auction in a way that appeals to all broadcasters -- it lets the market set the price and removes uncertainty, as Commissioner Pai observed. Unfortunately, we think that the Commission is so far down the road of a reverse auction that it makes sense to limit our comments to the proposed structure instead.

1) **Allow UHF stations to switch to VHF voluntarily prior to the auction.** If some full power UHF stations volunteered to switch to VHF prior to auction, it could lessen the complexity of the auction because it would open more slots in the UHF band for repacking, saving time and money thereby. Few UHF stations would switch to VHF band without significant benefit because VHF is inferior to UHF in many ways, including mobile application. Thus, the Commission would need to provide sufficient incentives. First, you should allow them to qualify for the displacement funds available for stations that are repacked. In addition, you should allow a major modification to their allocation, by allowing these stations to change city of license by a distance of up to 25 miles (the limitation of the main studio rule) and permit a change of tower and contour with their new VHF assignment, not unlike what was done with the digital transition. During that period, stations were afforded an opportunity to strengthen their signal and achieve better coverage of the communities they wished to serve. This could be accomplished in calendar year 2015. Presumably, no general rulemaking would be needed to open the filing window for petitions requesting a switch to the VHF band. Such petitions

could be fast-tracked, and after approval could be followed by a brief 30 day window to file a construction permit application and a 90 day response window for the Commission staff to grant a construction permit valid for three years. Only stations surrendering their UHF spectrum pursuant to this provision would be eligible to receive the award of the major modification CP.

While this is not an option that we personally would consider, we have reason to believe that it might appeal to many full power UHF broadcasters that would be eager to adjust their contours to reflect new market realities and not have to wait the 3+ years for the filing window to reopen.

2) Lessen the VHF Discount in the Auction. Broadcasters agreeing to surrender their UHF spectrum for VHF spectrum, as part of the auction, should not have as deep of a discount on the potential auction proceeds received. As indicated above, VHF spectrum is not as valuable to a broadcaster as UHF spectrum. By agreeing to the switch, they are already incurring disadvantages. You are likely to attract more broadcasters like us into the auction if the VHF discount was not so great. We enjoy serving our community with fine programming. We do not wish to exit the business. However, we would be attracted to surrender our UHF spectrum into the auction if the price received from a switch to VHF was closer to the potential payouts received for surrendering our spectrum and exiting the business. The thought of exiting the business completely will appeal mostly to those protected stations without network affiliations. You will achieve a much greater participation rate, we believe, if options to stay in the business (switching to VHF or channel sharing) were made more attractive.

To this end, we suggest only a ten percent discount for those choosing Low VHF as there are many well-known problems with Low VHF and a 25% discount for High VHF. The discounts are substantial enough to not lessen the appeal of surrendering the spectrum completely. For example, if the accepted bid for a particular small market station is \$20 million dollars, the station owner has to decide whether it is worth \$18 million to get a low VHF allocation or \$15 million to get a High VHF allocation. That is a great deal of money to a small market station owner. Many will be enticed to surrender the spectrum completely for the extra payout; while those of us who prefer to stay in the business, do not feel overly disadvantaged. To offer a station owner only half (or effectively make it a \$10 million decision to stay in business) is too drastic a difference to incentivize the participation in the auction. Especially for smaller stations, the accepted bid might be more than the resale value of the station, compelling some owners to surrender a station that has been vital to the community with its local news and programming. Though not one of the primary goals of the auction, the Commission should not lose sight of the fact that communities benefit from having choice in local stations. If the economic scales are tilted in favor of losing even network affiliated local stations, we submit that this is not in the interest of the public.

Should the Commission be hesitant to lower the VHF discount across the board to all station owners, special consideration should be given to small business owners as well as minority or women-owned businesses. For example, the VHF discount could be halved for these

businesses. Keeping the higher discount fees for the voluntary movement to VHF places a disproportionately heavier burden on smaller entities. This would encourage these broadcasters to stay in business and switch to the VHF band instead.

3) Provide Channel 2 for Displaced LPTVs. The Commission has received plenty of comment from LPTV station owners that they should have some rights as well. Class A stations are protected, but there could be thousands of local LPTV stations removed from the air as a result of repacking. This seems especially likely in major markets. For the sake of full disclosure, we own one LPTV station.

What if Channel 2 in each market (the least valuable VHF spectrum) was reserved for displaced LPTV stations? If there were more than one station eligible, then you could enforce channel-sharing for up to three (each receiving two megahertz). In the largest markets there might be more than three effected stations. In this case, we would suggest prioritizing translators first, since they serve a strong public interest to help programming reach viewers in distant locations, and then applying priority to those stations that have been on the air longest. Thus, the more senior the station, the greater the priority. Not only is this a more fair outcome, it also likely rewards those who have developed a greater following in the local community. Finally, the reservation of Channel 2 would give acknowledgement to the LPTV industry and their allies that the auction will have something for them as well.

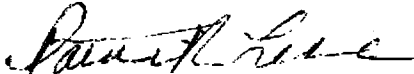
If there is an existing protected station on Channel 2, it could move to Channel 3, or you could use Channel 3 for the displaced LPTV stations.

4) Modify the Opening Bid Formula. In determining the value of a station to advertisers, the population in the coverage contour is important. However, to a wireless carrier, it is the preclusive effect. We agree with the scenario cited in Commissioner Pal's comments. The value of interference outweighs the value of the population. As such, we would urge the Commission to double the value of interference in the formula, so as to better reflect how bidders in the forward auction are likely to value it. Thus, the formula would be Station Volume = Interference times 1.0 and Population times .5.

5) Permit Intra-round Bidding. The proposal requested comment on permitting intra-round bidding for broadcasters. We think this is an important option. This will likely be the most important few days of any broadcaster. It is important to allow broadcasters flexibility to avoid being frozen out of the auction if they are willing to shift their preferences between surrendering spectrum, Low VHF and High VHF within the same round. Precluding a broadcaster from further participation in the auction merely because their preferred choice was unavailable at the end of the round seems unduly harsh to those stations trying to work with the Commission to free up as much UHF spectrum as possible. This is another area where consideration could be given to small and minority businesses, permitting it for protected entities even if not permitted generally.

6) Liberalize the Channel Sharing Rules. Channel sharing has been an idea championed by Chairman Wheeler, and it presents an interesting option to those of us who prefer to stay in the business. Currently, there is far too much uncertainty for the future to afford parties a basis on which to value channel sharing and consider the logistics. If the Commission requires these agreements to be in place before the auction, we suspect that the Commission will be disappointed with the low number of agreements. Rather, the Commission should make channel sharing as easy as possible and permit agreements after the auction, allowing six months or more post-auction for such agreements to be filed. Thus, a station that agrees to surrender its spectrum could have a period of six months to a year afterward to share spectrum with another broadcaster so that the auction participant can continue to offer its content to the public over-the-air even after surrendering its license.

Thank you again for this opportunity to comment on the proposed rule and for your consideration.



Patricia R Lane
President
Marquee Broadcasting, Inc